

ALTERNET SYSTEMS INC
Form DEF 14A
April 10, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF
SECURITIES EXCHANGE ACT OF 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14(a)-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a -11(c) or § 240.14a -12

ALTERNET SYSTEMS, INC.

(Name of Registrant as Specified In Its Charter)

Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No Fee Required

Fee Computed on table below per Exchange Act Rules 14a-6(I)(4) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed aggregate offering price:

5. Total fee paid:

] Fee paid previously with preliminary materials.

] Check box is any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount previously paid:

2. Form, Schedule, or Registration Statement Number:

3. Filing party:

4. Date filed:

Notes:

ALTERNET SYSTEMS, INC.
Suite 610 815 West Hastings Street
Vancouver, British Columbia
V6C 1B4

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 3, 2006

Notice is hereby given that the Annual General Meeting of shareholders of Alternet Systems, Inc., a Nevada corporation (the Company) will be held on May 3, 2006, at the offices of the Company at Suite 610 815 West Hastings Street in the City of Vancouver at 10:00am for the following purposes:

1. To elect the following three (3) nominees as Directors of the Company until the next Annual Meeting of shareholders or until their respective successors shall be elected and qualified: Michael Dearden, Griffin Jones and Patrick Fitzsimmons;
2. To approve the appointment of Dale Matheson Carr-Hilton Labonte as the Company's independent auditors for the present fiscal year and succeeding years and empower the Board of Directors to appoint successors to Dale Matheson Carr-Hilton Labonte if they choose to do so;
3. To accept the financial statements of the Company for the previous fiscal year as presented at the meeting;
4. To ratify the acts of the Board of Directors in the past year;
5. To approve the Company's proposed stock option plan;
6. To approve the change of the Company's fiscal year end from December 31 to November 30; and
7. To consider any other matter that properly may come before the meeting or any adjournment thereof.

Shareholders of record as the close of business on March 20, 2006 are entitled to vote at the meeting or any postponement or adjournment thereof.

Please review the voting options on the attached proxy card and submit your vote promptly. If you attend the Annual Meeting, you may revoke your Proxy and vote in person if you desire to do so, but attendance at the Annual Meeting does not itself serve to revoke your Proxy. A copy of the Company's Annual Report for its most recently concluded fiscal year is enclosed.

By order of the Board of Directors

/s/ Michael Dearden

Michael Dearden, President

PROXY STATEMENT

**ALTERNET SYSTEMS, INC.
Suite 610 815 West Hastings Street
Vancouver, British Columbia
V6C 1B4**

This Proxy Statement is furnished to shareholders at the discretion and on behalf of the Board of Directors of Alternet Systems, Inc., a Nevada corporation (the Company), for the purpose of soliciting proxies for use at the Annual Meeting of Shareholders of the Company to be held at the offices of the Company on Wednesday, May 3, 2006 at 10:00am. The shares represented by the proxy will be voted in the manner specified in the proxy. To the extent that no specification is made as to the proposals set forth in the notice of meeting accompanying this Proxy Statement, the proxy will be voted in favour of such proposals. However, any proxy given pursuant to this solicitation may be revoked at any time before it is exercised by giving written notice of such revocation to the Secretary of the Company, by appearing at the meeting and voting in person, or by submitting a later dated proxy. A revocation that is not timely received shall not be taken into account, and the original proxy shall be counted.

Shareholder proposals must be submitted to the Company not later than April 21, 2006, in order to be included in those matters considered at the next Annual Meeting of this Company. The cost of preparing, assembling and mailing this Proxy Statement, the Notice of Annual Meeting of Shareholders and the accompanying Proxy is being borne by the Company. Brokers, dealers, banks or voting trustees, and their nominees, are requested to forward soliciting materials to the beneficial owners of shares and will be reimbursed for their reasonable expenses. This Proxy Statement and accompanying proxy will be mailed to shareholders on or before April 24, 2006.

VOTING SECURITIES

The record date of shareholders entitled to notice of and to vote at the Annual Meeting of Shareholders is the close of business on March 20, 2006. On such date, the Company had issued and outstanding 36,729,428 shares of \$0.00001 par value common stock. Each share is entitled to one vote per share on any matter which may properly come before the meeting and there shall be no cumulative voting right on any shares. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date will constitute a quorum at the meeting. Votes withheld and abstentions will be counted in determining the presence of a quorum but will not be voted. Broker non-votes will not be counted in determining the presence of a quorum and will not be voted. Pursuant to applicable state law, there are no dissenter's or appraisal rights relating to the matters to be voted.

All matters to be voted on require an affirmative vote of a majority of the votes present at the meeting. As management and other major shareholders, directly or

indirectly, a majority of the outstanding shares as of the record date and intend to vote in favour of all proposals, it is anticipated that all proposals will pass.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The following table sets forth information regarding the beneficial ownership of shares of the Company's common stock as of March 24, 2006 (36,729,428 shares issued and outstanding) by (i) all shareholder's known to the Company to be beneficial owners of more than 5% of the outstanding Common Stock; (ii) each director; and (iii) all officers and directors of the Company as a group. Except as may be otherwise indicated in the footnotes to the table, each person has sole voting power and sole dispositive power as to all of the shares shown as beneficially owned by them.

Name and Address of Beneficial Owner	Position (if any)	Amount of Beneficial Ownership ⁽¹⁾	Percent of Class (common shares)
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Mikden Investments, Inc. (1) 711 South Carson St. Carson City, Nevada 89701	Director, President	2,756,000	7.5%
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Nahatlatch Capital Corp. (2) 711 South Carson St. Carson City, Nevada 89701	Director, Secretary, Treasurer	2,173,000	5.9%
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Patrick Fitzsimmons 1406-151 E. Keith Rd. N. Vancouver, BC V7L 4M3	Director, VP Sales	2,080,000	5.6%
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Directors, Officers and 5% stockholders in total (3 Persons)		7,009,000	19.0%
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1. Mikden Investments, Inc. is a company wholly owned by the Company's President and Director, Michael Dearden.
2. Nahatlatch Capital Corp. is a company wholly owned by the Company's Treasurer, Secretary and Director, Griffin Jones.

**ELECTION OF DIRECTORS
EXECUTIVE OFFICERS**

The Company's Board of Directors is currently composed of five members. The Company's Bylaws provide that Directors are to serve only until the next Annual Meeting of Shareholders or until their successors are elected and qualified. The Directors and Executive Officers of the Company are not a party to any material pending legal proceedings and, to the best of their knowledge, no such action by or against them has been threatened.

(a) Officers and Directors.

Michael Dearden, President and Director

Michael Dearden, age 51. Mr. Dearden has over 25 years experience in sales and marketing, and for the past 17 years has focused specifically on corporate marketing and venture capital financing. Prior to joining Alternet in 2000, Mr. Dearden was, for five years, a director of Rolland Virtual Business Systems Limited (formerly Americ Resources Corp.), where he helped to facilitate the merger of Rolland Virtual Business Systems Limited and Americ Resources Corp. and helped to facilitate a concurrent financing of \$1,800,000. Rolland Virtual Business Systems Limited is a Montreal, Canada, based E-commerce software developer with approximately 35 employees.

Griffin Jones, Secretary, Treasurer, CEO and Director

Griffin Jones, age 51. Mr. Jones has been self-employed for approximately 17 years as a management consultant. Mr. Jones brings to the Company experience in financial management, and experience in providing management to companies in a number of industry areas including high technology, industrial products and mining. Mr. Jones has worked in marketing management, finance and corporate relations.

Patrick Fitzsimmons, Director

Pat Fitzsimmons, age 53. Mr. Fitzsimmons brings to the Company sales and management experience, gained from a 24-year career in the high-technology marketplace. Mr. Fitzsimmons has represented firms such as NCR, Timeplex, Rogers Cable, and Newbridge Networks, offering a wide range of technology solutions. His most recent position was Manager, Major Accounts, AT&T Canada, Vancouver B.C., Canada.

(b) Certain Relationships and Related Transactions

Other than as set forth below, there are no relationships, transactions, or proposed transactions to which the Company was or is to be a party, in which any of the named persons set forth previously had or is to have a direct or indirect material interest.

The officers and directors of the Company receive compensation for services that they provide to the Company. See Executive Compensation below.

(1) Other Business Activities

Certain of the officers and directors of the Company are engaged in other businesses, either individually or through partnerships and corporations in which they have an interest, hold an office, or serve on a board of directors. As a result, certain conflicts of interest may arise between the Company and its officers and directors. The Company will attempt to resolve such conflicts of interest in favor of the Company. The officers and directors of the Company are accountable to it and its shareholders as fiduciaries, which requires that such officers and directors exercise good faith and integrity in handling the Company's affairs. A shareholder may be able to institute legal action on behalf of the Company or on behalf of itself and other similarly situated shareholders to recover damages or for other relief in cases of the resolution of conflicts is in any manner prejudicial to the Company.

(c) Compliance with Section 16(a) of the Exchange Act.

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, certain officers and persons holding 10% or more of the Company's common stock to file reports regarding their ownership and regarding their acquisitions and dispositions of the Company's common stock with the Securities and Exchange Commission. The Company is unaware that any required reports were not timely filed.

(d) Committees of the Board of Directors.

The Company does not currently have standing audit, nominating, and compensation committees.

(e) Meetings of the Board of Directors.

During the last fiscal year (ended December 31, 2005), the total number of meetings of the Board of Directors which were held is none. None of the incumbent directors of the Company attended less than 75 percent of the total meetings.

EXECUTIVE COMPENSATION

Save and except as described below, none of the officers and directors compensation exceeded \$100,000 for the last fiscal year (12 months ending December 31, 2005). All

officers and directors will be reimbursed for expenses incurred on behalf of the Company including director expenses pertaining to attendance at meetings. It is anticipated that additional management will be hired as the Company develops and revenue is generated. The salaries paid to new employees will be consistent with the salaries of others in similar positions in the industry.

Summary Compensation Table

Name and principal position	Year	Annual Compensation			Long-term compensation			
		Salary (\$)	Bonus (\$)	Other annual compensation (\$)	Awards Restricted Securities stock award(s) (\$)	Securities underlying options/ SARs (#)	Payouts LTIP payouts (\$)	All other compensation (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Michael Dearden, President and Director	2005	\$0	0	0	0	None	0	0
Griffin Jones Treasurer and Director, CEO	2004	\$46,100	0	0	0	None	0	0
Patrick Fitzsimmons, Director and Vice President	2005	\$19,865	0	0	0	None	0	0
	2004	\$47,983	0	0	0	None	0	0

(a) To date, no options have been granted.

(b) There are no annuity, pension or retirement benefits proposed to be paid to officers, directors, or employees of the corporation in the event of retirement at normal retirement date pursuant to any presently existing plan provided or contributed to by the corporation or any of its subsidiaries.

(c) No remuneration is proposed to be paid in the future directly or indirectly by the corporation to any officer or director under any plan which is presently existing.

INDEPENDENT PUBLIC ACCOUNTANTS

(a) Ratification of Accountants.

Dale Matheson Carr-Hilton Labonte (DMCL) issued the report for the Company's audited financial statements for the fiscal year ended December 31, 2004 and is expected to do so shortly for the fiscal year ended December 31, 2005. The Board of Directors has approved by resolution a proposal to retain DMCL for the present fiscal year and succeeding fiscal years. The Board of Directors of the Company recommends a

vote FOR the retention of DMCL and further to empower the Board of Directors, at their sole discretion, to appoint successors to DMCL if the Board of Directors wishes to do so.

Representatives of DMCL are not expected to be present at the Annual Meeting. However, such representatives will be available by telephone to respond to appropriate questions at the meeting.

DMCL's aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements and review of financial statements included in registrant's 10ksb were \$18,500 and \$16,800 for the fiscal years 2004 and 2005 respectively. DMCL did not bill for, or perform, non-audit related services for the Company in either the 2004 or 2005 fiscal year.

CHANGE IN FISCAL YEAR END TO NOVEMBER 30

Management of the Company is proposing to change, and recommending a change of, the Company's fiscal year end from December 31 to November 30.

The purpose of this change is to allow the Company more flexibility in completing its financial statements and audits. The Company has found that, as regulatory governance and oversight of accounting functions has increased over the last two years, it is difficult to complete accounting filings when other public companies are also trying to complete their accounting filings.

OTHER BUSINESS

As of the date of this proxy statement, the Company knows of no business that will be presented for consideration at the Annual Meeting other than the items referred to above. If any other matter is properly brought before the meeting for action by the shareholders, proxies in the enclosed forms returned to the Company will be voted in accordance with the recommendation of the Board of Directors or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

By order of the Board of Directors
March 24, 2006

/s/ Michael Dearden
Michael Dearden, President

PROXY
ALTERNET SYSTEMS, INC.
Annual Meeting of Shareholders To Be Held May 3, 2006

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. The undersigned hereby appoints Michael Dearden or, in his absence, Griffin Jones, as proxy of the undersigned, with full power of substitution, and hereby authorizes him to represent and to vote at the Annual Meeting of Shareholder of Alternet Systems, Inc. (the Company) to be held on May 3, 2006, as designated below, all of the common stock of the Company held of record by the undersigned on March 20, 2006 at Suite 610 815 West Hastings Street in the City of Vancouver at 10:00am for matters that properly may come before the meeting or any adjournment thereof including the following matters:

1. ELECTION OF DIRECTORS (circle one):

FOR	WITHHOLD AUTHORITY
all nominees listed below	to vote for all nominees listed below
Michael Dearden	
Patrick Fitzsimmons	
Griffin Jones	

2. TO APPROVE THE SELECTION OF DALE MATHESON CARR-HILTON LABONTE AS THE COMPANY S INDEPENDENT ACCOUNTING FIRM FOR THE CURRENT AND SUCCEEDING FISCAL YEARS AND EMPOWER THE BOARD OF DIRECTORS TO APPOINT SUCCESSORS TO DALE MATHESON CARR-HILTON LABONTE IF THEY WISH TO DO SO (circle one).

FOR	AGAINST	ABSTAIN
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3. TO ACCEPT THE FINANCIAL STATEMENTS OF THE COMPANY FOR ITS PRECEDING FISCAL YEAR AS PRESENTED TO THE MEETING (circle one).

FOR	AGAINST	ABSTAIN
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4. TO ADOPT AND RATIFY THE ACTS OF THE DIRECTORS IN THE PAST YEAR (circle one).

FOR	AGAINST	ABSTAIN
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5. TO CHANGE THE COMPANY S FISCAL YEAR END FROM DECEMBER 31 TO NOVEMBER 30

FOR	AGAINST	ABSTAIN
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6. TO VOTE AS THE PROXYHOLDER WISHES REGARDING ANY OTHER MATTER THAT MAY COME BEFORE THE MEETING

FOR	AGAINST	ABSTAIN
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This proxy will be voted as specified. IF NO SPECIFICATION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE PROPOSALS SET FORTH ABOVE. The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders of ALTERNET SYSTEMS, INC. to be held on MAY 3, 2006 and the Proxy Statement of such meeting.

Dated: _____, 2006

(Print Name of Shareholder)

(Signature of Shareholder)

Note: Please sign exactly as name appears on stock certificate (as indicated on reverse side). All joint owners should sign. When signing as personal representative, executor, administrator, attorney, trustee or guardian, please give full title as such. If a corporation, please sign in full corporation name by President or other authorized person. If a partnership, please sign in partnership name by a partner.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.
